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E.O. 12356: DECL: OADR  
 TAGS: OVIP (KASTEN, ROBERT), IS  
 SUBJECT: CODEL KASTEN VISIT TO ISRAEL AUGUST 10-12, 1983

1. CONFIDENTIAL ENTIRE TEXT.  
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2. SUMMARY: SENATOR ROBERT KASTEN, CHAIRMAN OF THE FOREIGN OPERATIONS SUBCOMMITTEE OF THE SENATE APPROPRIATIONS COMMITTEE, HAD A USEFUL TWO-DAY VISIT TO ISRAEL FROM AUGUST 10 TO 12, 1983. DURING HIS VISIT THE SENATOR MET WITH PRIME MINISTER BEGIN AND DEFENSE MINISTER ARENS. BEGIN EXPRESSED CONCERN OVER LEBANESE PRESIDENT GEMAYEL'S DELAY IN EXCHANGING THE DOCUMENTS RATIFYING THE ISRAEL-LEBANON AGREEMENT ON WITHDRAWAL. REGARDING THE ISRAELI ECONOMY, BEGIN EXPRESSED SUPPORT FOR FINANCE MINISTER ARIDOR, BUT VOICED UNCERTAINTY WHETHER THE CABINET WOULD APPROVE ALL OF THE MEASURES ARIDOR HAD PROPOSED. END SUMMARY.  
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3. SENATOR KASTEN WAS ACCOMPANIED BY SUBCOMMITTEE STAFF DIRECTOR JAMES D. BOND, SUBCOMMITTEE PROFESSIONAL STAFFER JANE MCGHEE, ASSISTANT CHIEF CLERK OF THE SENATE APPROPRIATIONS COMMITTEE DAY WALKER WEITZMAN AND MILITARY ESCORT OFFICER CAPTAIN HENRY H. DAVIS, JR. PRIOR TO THE SENATOR'S MEETINGS WITH PRIME MINISTER BEGIN AND DEFENSE MINISTER ARENS, DCM ROBERT FLATEN AND JERUSALEM CONSUL GENERAL WAT CLUVERIUS BRIEFED THE CODEL ON THE GENERAL SITUATION IN ISRAEL AND THE TERRITORIES. AMBASSADORS MCFARLANE AND LEWIS BRIEFED THE SENATOR ON THE LEBANON TALKS. THE CODEL ALSO MET WITH ZVI RAFIAH, A PRIVATE CONSULTANT WHO FORMERLY WAS THE CONGRESSIONAL LIAISON OFFICER IN ISRAEL'S EMBASSY IN WASHINGTON. THIS CABLE REPORTS ON THE SENATOR'S MEETING WITH PRIME MINISTER BEGIN, IN WHICH LEBANON AND THE ISRAELI ECONOMY WERE THE MAJOR TOPICS COVERED. AT THE SENATOR'S REQUEST ONLY MR. BOND ACCOMPANIED HIM IN THE MEETING WITH THE DEFENSE MINISTER. ARENS ATTENDED THAT MEETING ALONE.  
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4. THE SENATOR OPENED THE DISCUSSION BY EMPHASIZING THE U.S. GOVERNMENT'S DESIRE THAT THE LEBANON-ISRAEL AGREEMENT NOT UNRAVEL. HE TOLD THE PRIME MINISTER THAT HE FEELS IT IS THE U.S. GOVERNMENT'S RESPONSIBILITY TO DO EVERYTHING POSSIBLE TO SUPPORT THE GEMAYEL GOVERNMENT SO THAT THE SYRIANS DO NOT GET WHAT THEY WANT. HE STATED THAT HE THOUGHT THERE MUST BE MORE PRESSURE PUT ON THE SYRIANS TO LEAVE LEBANON THAN THE OTHER ARAB GOVERNMENTS HAVE EXERTED TO DATE. PRIME MINISTER BEGIN NOTED THAT THE ISRAEL-LEBANON AGREEMENT HAD RECEIVED SUPPORT FROM BOTH HOUSES OF THE U.S. CONGRESS. HE REMARKED THAT PRESIDENT ASSAD OF SYRIA DEMONSTRATED THE SAME NEGATIVE ATTITUDE TOWARDS THE AGREEMENT TO EVERY VISITOR TO DAMASCUS. IN BEGIN'S VIEW, PRESIDENT GEMAYEL IS AFRAID OF THE SYRIANS. THAT IS WHY TO DATE THERE HAS BEEN NO EXCHANGE OF THE RATIFICATION DOCUMENTS FOR THE AGREEMENT. HE STATED THAT AMBASSADOR MCFARLANE HAD PROMISED TO BRING THIS MATTER UP WITH PRESIDENT GEMAYEL. BEGIN EXPRESSED DISAPPOINTMENT WITH THE LEBANESE DELAY IN SENDING A FORMAL REQUEST TO THE SYRIANS TO WITHDRAW FROM LEBANON. SENATOR KASTEN INDICATED THAT WHEN GEMAYEL HAD VISITED THE SENATE EARLIER IN THE SUMMER, SEVERAL SENATORS HAD PRESSED HIM ON THE QUESTION OF WHEN THE GOVERNMENT OF LEBANON WOULD SEND A FORMAL DEMAND TO THE SYRIANS TO LEAVE LEBANON. HOWEVER, GEMAYEL HAD NOT ALLOWED HIMSELF TO BE PINNED DOWN WITH RESPECT TO SPECIFIC DATES.

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**ISRAELI ECONOMIC SCENE**

5. THE SENATOR ASKED THE PRIME MINISTER HOW DIFFICULT HE FELT IT WOULD BE POLITICALLY TO OBTAIN APPROVAL FOR THE ECONOMIC MEASURES THAT WERE CURRENTLY UNDER DISCUSSION. BEGIN RESPONDED THAT HE WAS NOT SURE IF THE CABINET WOULD APPROVE THE MEASURES BEING DISCUSSED, ALTHOUGH THE AUGUST 14 CABINET MEETING WAS TO FOCUS ON THIS QUESTION. THE PRIME MINISTER VOICED SUPPORT FOR FINANCE MINISTER ARIDOR, BUT NOTED THAT ARIDOR ENCOUNTERS OPPOSITION IN THE CABINET SINCE NO MINISTER WANTS TO CUT HIS OWN BUDGET. THE SENATOR INDICATED THAT THE U.S. HAD FACED THE SAME PROBLEM OF DEALING WITH BUDGET CUTS. THE PRIME MINISTER POINTED OUT THAT ONE OF ISRAEL'S PRINCIPAL PROBLEMS IS THAT IT MUST SPEND A LARGE PART OF ITS GNP ON DEFENSE. HE EMPHASIZED THAT DEFENSE IS VITAL

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TO THE ISRAELIS FOR OBVIOUS REASONS. CONTINUING ON THE ECONOMY, BEGIN CITED THE WORLD ECONOMIC CRISIS AS ANOTHER CAUSE FOR ISRAEL'S ECONOMIC PROBLEMS. THE EUROPEAN RECESSION HAD CAUSED A LOSS OF A CERTAIN PERCENTAGE OF ISRAELI EXPORTS. THE PRIME MINISTER ADMITTED THAT INTERNAL REASONS WERE ALSO A FACTOR, BUT HE DID NOT GO INTO ANY SPECIFICS. THE PRIME MINISTER FELT THAT THE DEVALUATION WOULD HELP ISRAEL TO A CERTAIN EXTENT AND HOPED THAT IT WOULD STOP THE RUN ON FOREIGN EXCHANGE.

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6. BEGIN NOTED THAT THE ECONOMIC SITUATION IN THE UNITED STATES WAS IMPROVING NOW. HE COMMENTED FAVORABLY ON THE LOW 3.5 PERCENT ANNUAL INFLATION RATE IN THE U.S. AND JOKINGLY SAID THAT ISRAEL WOULD LIKE TO HAVE AN INFLATION RATE DOUBLE THAT. SENATOR KASTEN DETAILED SOME OF THE OTHER RECENT POSITIVE DEVELOPMENTS IN THE U.S. ECONOMY. HE NOTED THAT FEDERAL RESERVE BANK CHAIRMAN VOLKER AND TREASURY SECRETARY REGAN WERE CONCERNED OVER CONTINUING HIGH INTEREST RATES, WHICH THEY FELT COULD STIFLE THE CURRENT RECOVERY.

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7. COMMENT: ALTHOUGH SOMEWHAT THINNER AND FRAILER THAN HE WAS THREE MONTHS AGO (WHEN THE REPORTING OFFICER LAST ATTENDED A MEETING WITH BEGIN), THE PRIME MINISTER APPEARED ALERT DURING THE MEETING WITH SENATOR KASTEN. AT TIMES HE EVIDENCED DIFFICULTY IN HEARING EXACTLY WHAT THE SENATOR HAD SAID, SO THAT ON THREE OR FOUR OCCASIONS DURING THE MEETING, THE PRIME MINISTER'S ANSWERS TO THE SENATOR'S QUESTIONS WERE NOT DIRECTLY RESPONSIVE. NEVERTHELESS, HIS DISCUSSION OF THE LEBANON ISSUE AND THE ISRAELI ECONOMY DEMONSTRATED THAT HE IS ON TOP OF THE MAIN SUBJECTS OF CONCERN TO HIS GOVERNMENT AND HIM PERSONALLY. END COMMENT.

8. THIS MESSAGE WAS PREPARED AFTER CODEL KASTEN'S DEPARTURE.

9. BEIRUT MINIMIZE CONSIDERED. LEWIS  
END OF MESSAGE CONFIDENTIAL

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